

Message Text

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43

ACTION AID-31

INFO OCT-01 NEA-14 ISO-00 EB-11 IGA-02 OMB-01 CIAE-00

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FM AMEMBASSY TEL AVIV

TO SECSTATE WASHDC PRIORITY 3852

C O N F I D E N T I A L TEL AVIV 5189

E.O.11652: GDS

TAGS: EAID, ECON, IS

SUBJECT: FY 1976 SUPPORTING ASSISTANCE FUNDING LEVEL

REF: A. STATE 192692

B. TEL AVIV 230

C. TEL AVIV A-190 OF AUGUST 6

D. TEL AVIV A-161 OF JULY 3

E. TEL AVIV 257

F. TEL AVIV 4734

1. GOI IS PRESENTLY IN PROCESS OF PREPARING 1976 TRADE PROJECTIONS FOR INCLUSION IN ITS ANNUAL "COLORED PAPER" ESTIMATING BALANCE OF PAYMENTS GAP FOR 1975-76. WE HAVE BEEN TOLD UNOFFICIALLLY THAT PAPER WILL BE COMPLETED EARLIER THIS YEAR, POSSIBLY BY END OF SEPTEMBER. MANY VARIABLES, SUCH AS WORLD PETROLEUM AND COMMODITY PRICES AND MID-EAST POLITICAL/MILITARY SITUATION, MAKE TRADE PROJECTIONS MORE RISKY THAN USUAL AND WE WOULD LIKE TO SEE GOI FIGURES BEFORE MAKING OUR OWN PREDICTIONS ABOUT FUTURE EXPORT AND IMPORT LEVELS.

2. RE COMMODITY IMPORT PROGRAM, WE BELIEVE SA LEVEL EVEN UP TO \$250 MILLION IS PRACTICABLE THIS YEAR SINCE TOTAL IMPORTS WILL EXCEED \$3 BILLION. WE ALSO SEE NO REASON WHY SA SHOULD NOT CONTINUE TO BE TIED TO US PROCUREMENT, PARTICULARLY SINCE THERE IS NO DISCERNABLE ADVERSE EFFECT ON ISRAEL'S BOP.

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3. WITH REGARD SA LEVEL FOR FY 1976, \$100 MILLION IMPLIED IN

REF A WOULD SEEM REASONABLE TARGET FIGURE. BASED ON OUR UNDERSTANDING OF CIP PROGRAM WE THINK ISRAEL COULD ABSORB CONSIDERABLY IN EXCESS OF \$100 IN CIP IN FY 76. OF COURSE, DEFENSE IMPORTS IS MAIN FACTOR AFFECTING BOP AND ISRAEL'S GREATEST NEED IS MEANS OF FINANCING SUCH IMPORTS, RATHER THAN HIGH LEVEL OF SUPPORTING ASSISTANCE.

4. EMBASSY 'S FORECASTS OF FUTURE GROWTH FOREIGN AND DOMESTIC DEBT REPORTED IN REF C AND D. WE HAVE NOTHING TO ADD OTHER THAN TO SAY WE CONTINUE TO BELIEVE THAT, AT LEAST FOR NEXT FEW YEARS, ISRAEL WILL HAVE LITTLE DIFFICULTY IN MAINTAINING ITS CREDIT WORTHINESS. ATTENTION IS INVITED TO LATEST BOP OUTLOOK REPORTED IN REF F.
VELIOTES

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